Souris Basin Development Authority

SOURIS BASIN
DEVELOPMENT AUTHORITY

1990
ANNUAL
REPORT

91-04331/

ANNUAL REPORT

OF

THE SOURIS BASIN DEVELOPMENT AUTHORITY

OF THE

PROVINCE OF SASKATCHEWAN

FOR THE

YEAR ENDED DECEMBER 31, 1990

Souris Basin Development Authority

814 - 4th Street
Estevan, Saskatchewan
S4A 0V9
Phone: 634-4791
Fax: 634-9288

March, 1991

To Her Honour
The Honourable Sylvia Fedoruk
Lieutenant Governor of the
Province of Saskatchewan

Dear Madam:

I have the honour to submit herewith the Annual Report of the Souris Basin Development Authority for the year ended December 31, 1990, including the financial statements, therefore, duly certified by the Authority's auditor and in the form approved by the Treasury Board, all in accordance with the Crown Corporations Act, 1978.

I have the honour to be, Madam, your obedient servant.

Harold A. Martens
Minister Responsible
Souris Basin Development Authority

SOURIS BASIN DEVELOPMENT AUTHORITY

BOARD OF DIRECTORS

GOVERNMENT AFFILIATED DIRECTORS

Hon. Harold A. Martens, Regina
Chairman, Minister in Charge

G.D. Hill Q.C. Regina
President, SaskPower,
Vice Chairman, President &
Chief Executive Officer,
Souris Basin Development Authority

V.C. Fowke, FCA, Regina
Vice-President, SaskPower

NON GOVERNMENT DIRECTORS

R.W. Henders, B.Sc. Ph., Estevan

G. Ross, Estevan

R.W. Young, Alameda

E.B. Campbell, P.Eng., Regina

D. Stankov, FCA, Regina

SECRETARY OF THE BOARD

E.A. Kivisto, Regina
Assistant to President/Chairman
Secretary
SaskPower

SOURIS BASIN DEVELOPMENT AUTHORITY

REPORT FROM THE PRESIDENT

For the Rafferty-Alameda Project, 1990 will be remembered by some as a year that began with another setback due to the manner in which the Canadian federal government conducted its environmental assessment. Fortunately it will be reflected upon by others as the year when the obstacles caused by the incompetency and unfair treatment of the Project by the federal government were overcome. Significant construction activities proceeded on both the Rafferty and the Alameda Dams as well as on related works.

The year began with the Souris Basin Development Authority once again attempting to come to grips with the implications of a decision by the Federal Court of Canada against the federal government. On December 28, 1989 Mr. Justice Muldoon of the Federal Court of Canada issued a decision in which he found, that for a second time, the Canadian federal government had mishandled its environmental review of the project. In the decision Mr. Justice Muldoon gave the Federal Minister until January 30 to appoint a panel pursuant to the Federal Environmental Assessment Review (EARP) guidelines under International River Improvements Act (IRIA) and that if the Minister failed to comply with his order, the license for the Project would be quashed. For the second time, the Project was faced with the spectre of losing the federal license through no fault of its own. Throughout the month of January discussions took place between officials of the federal government and the Souris Basin Development Authority in an effort on our part to convince the federal Minister to appoint the Panel. With the future of the Shand Generating Station in the balance it was the view of the Government, SaskPower, and the Authority that we could not afford to lose the ability to store water behind the then 60% complete Rafferty dam.

It became readily apparent during these discussions that the federal government and in particular, the officials of Environment Canada were more intent on covering up their own errors than in protecting Saskatchewan's IRIA license. Under the guise of maintaining the integrity of the EARP process, a process that was never drafted to be interpreted as the law to be applied in a compulsory fashion and that consequently is without integrity, the representatives of Environment Canada forced Saskatchewan into the position of agreeing to delay the acquisition of land and the initiation of construction of the Alameda Dam, delaying the initiation of the Rafferty-Boundary Diversion Channel and only carrying out such work on the partially completed Rafferty Dam as was determined by the independent Rafferty-Alameda Engineering Review Board. All of these measures were agreed to in a January 26, 1990 agreement pending the completion of the review by the federal environmental assessment panel. Prior to the Panel's appointment we were assured by the federal Deputy Minister of Environment that the Panel review of the Rafferty-Alameda Project would be expeditiously carried out and that we could anticipate construction resuming by the summer of 1990.

With work continuing on aspects of the Project not covered by the January 26 agreement and on certain aspects of the Rafferty Dam a five member federal Panel was appointed. The Terms of Reference given this Panel were inconsistent with the January 26 Agreement and this fact was drawn to the attention of the federal government by the Authority immediately upon the issuance of the Terms of Reference for the Panel. This would prove to be instrumental in the third case of the federal government being unable to interpret the EARP guidelines accurately in its handling of the Rafferty-Alameda Project.

The Review of the Project by the Panel proved to be anything but expeditious as almost five months passed between the time of its appointment and its first visit to the Rafferty-Alameda Project. During this time we expressed our concerns to the federal government about the slow pace of the Panel's review, particularly given the abundance of documentation that had already been accumulated on the Project during three previous reviews.

Our expression of concern to federal officials was to no avail. Premier Devine extended an invitation during the summer to the then newly appointed federal Environment Minister Robert de Cotret to visit the Project. During the protracted and painful federal review of the Project, Minister de Cotret was the first federal Environment Minister to visit the Project and see first-hand the toll that the extended drought has extracted on this part of Saskatchewan.

Throughout the spring and summer work continued on the new Dr. Mainprize Park, the Highway 606 causeway, archaeological investigations, and wildlife mitigation. During 1990 approximately 150,000 trees were planted in the 20 quarter section Hitchcock Wildlife Complex. In addition we recorded a survival rate of 70% on trees planted in previous years. Throughout this period, construction continued on the Rafferty Dam embankment, spillway, low level outlet, rip-rap and dyking.

After meeting with representatives of those both opposed and in favour of the Project, Minister de Cotret returned to Ottawa. In July Premier Devine wrote to Mr. de Cotret regarding the lack of progress of the federal Panel review. This was followed up by a meeting between the Premier and the Minister in Ottawa on September 5. While accounts of this meeting vary among its participants and at the time of this report, this matter, among a number of others, is before the Courts, suffice to say that the end result was that on October 12, Premier Devine ordered that construction on all aspects of the Project resume immediately.

At year end construction of the Rafferty Dam embankment and low level outlet was virtually complete. Work on the spillway, the reach of the downstream channelization below Highway 18 and the Rafferty-Boundary Diversion Channel was continuing throughout the winter. At Alameda land acquisition was approximately 85% complete at year-end and work on the low level outlet and spillway was progressing.

While there can be no question that problems with the federal environmental assessment process have plagued the Project, the fact that the vast majority of the work to date has occurred on the shoulders of the construction season with a minimal amount of work having taken place in the peak building period stands as a remarkable testimony to the devoted men and women that are working on Rafferty-Alameda. I would like to express my gratitude to the construction personnel, Authority staff and consultants, the members of the Board of Directors, Minister Martens, the Members of the Government Cabinet and Premier Devine for their efforts and support. Finally I wish to express my appreciation to the people of south-eastern Saskatchewan and specifically to the residents of the Souris River Basin for without their continued support Rafferty-Alameda would not have been possible.

George D. Hill Q.C.
President and C.E.O.

CHARTERED ACCOUNTANTS
MATCHETT, POTTS & SEIPP
1130 - 3RD STREET, ESTEVAN, SASK. S4A 0R7 • TELEPHONE 634-2603

AUDITORS' REPORT

To the Members of the Legislative Assembly
of the Province of Saskatchewan

We have examined the statement of financial position of Souris Basin Development Authority as at December 31, 1990, and the statement of operations and retained earnings for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards required that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1990, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Matchett, Potts & Seipp

MATCHETT, POTTS & SEIPP
ESTEVAN, SASKATCHEWAN
MARCH 11, 1991

SOURIS BASIN

DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS

SOURIS BASIN DEVELOPMENT AUTHORITY

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1990

	1990	1989
ASSETS		
CASH	$1,948,629	$ 664,555
ACCOUNTS RECEIVABLE (Note 3)	11,087	19,132
CONTRACT ADVANCES RECEIVABLE (Note 4)	3,070,260	2,578,226
LAND DEPOSITS	21,000	7,000
ADVANCES ON DISBURSEMENTS (Note 5)	1,945,005	---
	$6,995,981	$3,268,913
LIABILITIES & EQUITY		
LIABILITIES		
ACCOUNTS PAYABLE (Note 6)	$6,980,875	$3,267,613
DEFERRED REVENUE	15,106	1,300
	6,995,981	3,268,913
EQUITY		
RETAINED EARNINGS	---	---
	$6,995,981	$3,268,913

(SEE ACCOMPANYING NOTES)

SOURIS BASIN DEVELOPMENT AUTHORITY

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1990

	1990	1989
REVENUE		
CONTRACT REVENUE EARNED	$44,342,034	$18,801,759
INTEREST REVENUE	257,280	150,126
LAND LEASEBACK REVENUE	56,795	50,254
	$44,656,109	$19,002,139
EXPENSES		
COST OF CONTRACTS	$42,793,785	$18,078,023
GENERAL & ADMINISTRATION	1,823,971	902,501
INTEREST EXPENSE	38,353	21,615
	$44,656,109	$19,002,139
NET EARNINGS	---	---
RETAINED EARNINGS BEGINNING OF YEAR	---	---
RETAINED EARNINGS END OF YEAR	$ ---	$ ---

(SEE ACCOMPANYING NOTES)

SOURIS BASIN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 1990

1. Status of the Corporation

The Souris Basin Development Authority was established by Order in Council 270/86 and continues under the provisions of part one of The Crown Corporations Act, 1978. The mandate of the Authority is to coordinate and manage the design and construction of the Rafferty and Alameda Dam projects as the agent for Saskatchewan Water Corporation. Pursuant to the agency agreement between the Authority and Saskatchewan Water Corporation, the Corporation will fund the Authority for all costs incurred (net of other revenue) as they relate to the agreement. These projects are multi-purpose in nature involving several Government Departments, Agencies and Crown Corporations.

2. Significant Accounting Policies

The Souris Basin Development Authority's accounting policies are in accordance with generally accepted accounting principles. The following summary of accounting policies describes the accounting methods and practices considered to be significant to the Authority's Financial Statements:

(i) Contract Revenue and Cost Recognition

Contract Revenue Earned - advances are recognized as contract revenue on the basis of total expenses incurred (net of other revenue) during the year.

Cost of Contracts-includes all direct costs determined using the percentage-of-completion method.

3. Accounts Receivable

	1990	1989
Expense recoveries	$ 7,153	$ 7,998
Expense advances	1,000	6,334
Leaseback revenue	2,934	4,800
	$11,087	$19,132

4. **Contract Advances Receivable**

	1990 (Cumulative)	1989 (Cumulative)
Total Advances		
Sask Water	$82,950,000	$39,100,000
City of Minot	100,000	100,000
	83,050,000	39,200,000
Less: Total Costs Incurred (Net of Other Revenue)	86,120,260	41,778,226
	$ 3,070,260	$ 2,578,226

5. **Advance on Disbursements**

Agreements with certain oil companies regarding mitigation of the impacts of the Rafferty and Alameda Dams on their facilities require that the Authority advance funds to the said companies. As mitigation work proceeds, actual invoices are authorized by the Authority. The approved amounts are then expensed and the advance on disbursements account is credited accordingly.

6. **Accounts Payable**

	1990	1989
Contract Payables	$4,017,768	$1,997,577
General & Administration Payables	113,744	54,816
Contract Holdbacks	2,849,363	1,215,220
	$6,980,875	$3,267,613

7. **Remuneration of Directors**

During 1990, the non government directors received total remuneration amounting to $10,850 (1989-$1,600). The government affiliated directors received no remuneration from the Authority.

8. **Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled Departments, Agencies, and Corporations with which the Authority is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms except as described below.

The Authority has entered into an agency agreement with the Saskatchewan Water Corporation whereby the Authority undertakes to plan, organize, design and construct the Rafferty and Alameda Dam Projects; in turn the Corporation is to provide consulting services out of its own resources without further consideration within the limits of its own staff, expertise, and facilities currently in place. To the extent the Corporation incurs costs for contract personnel or facilities to provide these services, they shall be reimbursed for the cost by the Authority.

9. **Leases**

The Authority has entered into operating lease agreements with the following minimum lease payments:

1991	$50,719
1992	11,556
1993	---
1994	---
1995	$ ---